

SECRETARY OF DEFENSE WILLIAM J. PERRY
INTERVIEW WITH REPORTERS AND EDITORS OF DEFENSE NEWS AND OTHER DEFENSE
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Perry: Lawmaker Clout Makes Budget Negotiations Dicey

By STEPHEN C. LeSUEUR
Defense News Staff Writer

WASHINGTON — U.S. Defense Secretary William Perry says lawmakers wield more power today in shaping the defense budget than they did nearly 20 years ago when he worked in the Pentagon.

"It makes my job harder," said Perry, who served as undersecretary of defense for research and engineering from 1977 to 1981 before moving to private industry.

He attributed the change partly to the breakdown of the discipline within Congress that previously allowed the four defense committees to control defense budgets and policy.

"There was a time when, once you had sold your program to the four committees you dealt with, it was pretty well done," Perry said July 11. "You did not have these dozens of amendments coming in from the floor in the last day or the last two days."

Perry's remarks came during a meeting with reporters and editors of *Defense News* and its sister publications of the Army Times Publishing Co.

House lawmakers, for example, offered about 90 amend-

ments to the 1995 defense authorization bill when it came to the floor. They debated and voted on the amendments on seven different legislative days spanning a three-week period, approving more than three-fourths of the proposed changes.

Although the amendments did not require major shifts in funding, they nevertheless added to the many budget changes already made by the House Armed Services Committee.

"It makes it less possible to put a program together and believe that you can make it happen,"

Perry said, regarding lawmakers' penchant for altering the Pentagon's budget requests.

Budget analysts point to many factors in recent years that have increased Congress' power vis a vis the executive branch. During the 1980s, Democratic lawmakers used the budget process to counter the defense buildup under President Ronald Reagan.

"There was great interest in debating many aspects of the defense budget, such as acquisition policy, arms control and strategic weapons programs," Stephen Daggett, an analyst with the Congressional Research Service here, said July 12. "Even though we

have a Democratic president now, that tradition of congressional activism remains strong."

Daggett and other analysts said the Pentagon's 1995 request for major weapon systems fared relatively well in the House and Senate Armed Services committees and the House Appropriations defense subcommittee. The Senate, for example, turned back efforts to alter significantly the Pentagon's plans for a new attack submarine, aircraft carrier and C-17 aircraft.

Nevertheless, lawmakers now are becoming more involved in issues relating to national security policy, such as aid to the former Soviet republics and funding for peacekeeping missions and defense conversion projects.

The expansion of the defense budget to include these other issues and programs has brought in lawmakers from committees outside the four traditional defense committees, further complicating Perry's job of pushing the defense bill through Congress.

"You're not seeing the big debate over weapons programs that occurred a few years ago, but Congress is getting involved in new post-Cold War issues, such

as Bosnia and export control," Carol Lessure, a legislative analyst with the nonpartisan Defense Budget Project here, said July 12.

Perry said Pentagon officials have a good working relationship with the four committees, and agreed that Congress the last two years protected "the programs that were most important to us."

Still, he lamented that lawmakers make too many changes after the bills are reported out of the committees.

"Most of the damage to the budget is actually done on the last few days of the budget when sort of random proposals come in on the floor," he said. "I have not figured out a way of staunching that kind of activity."

Analysts, however, said the bulk of changes still come from the committees. In addition, Rep. John Murtha, D-Pa., chairman of the House Appropriations defense subcommittee, this year was able to push through the 1995 defense appropriations bill with relatively few changes.

After Murtha introduced the appropriations budget late on June 29, lawmakers offered only two amendments. Only one was adopted.

SPACE NEWS

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Perry Deems ALARM Acceptable Solution

The Pentagon's latest proposal for a new constellation of missile warning satellites, dubbed ALARM, is an "acceptable solution" to the U.S. missile warning dilemma, Defense Secretary William Perry told *Space News* last week.

ALARM is barely six months old, but

the Pentagon launched a new study several weeks ago to weigh the program against the proposed constellation of Brilliant Eyes spacecraft or upgrades to the existing Defense Support Program satellites.

Perry said he does not want to "pre-judge the outcome" of the study, "but the ALARM system, as it has been conceived and structured, I think is an adequate solution to the problem."

Raising the stakes on living

Perry promises renewed look at troops' way of life and their families

By Neff Hudson
Times staff writer

WASHINGTON — Improving the quality of life for service members and their families has to become a higher priority for the Defense Department, Defense Secretary William Perry said.

In a wide-ranging interview with *Navy Times*, Perry said he is concerned about the long-term effects of small pay raises, poor housing, and constant attacks on military health care, commissaries and benefits.

"I'm not satisfied with it, and they should not be satisfied with it," Perry said July 11.

So far, according to Perry, the military's fighting capability has not been degraded by its declining quality of life. But if those issues are not addressed, they will manifest themselves in bad morale, poor recruitment and retention, and, ultimately, reduced combat effectiveness.

"There is a whole set of factors which

could cause us to lose the excellence and professionalism of our force," he said.

Perry acknowledged that the proposed defense budget for fiscal 1996 contains little money for personnel programs. But in his budget orders to the services for 1995 and 1996, Perry ordered new emphasis on operational readiness in crafting their requests.

As a result, operations and maintenance funding would increase about 6 percent while personnel funding would drop about 6 percent under the proposed budget.

In Perry's view, the emphasis on operations and maintenance has resulted in a high state of "near-term readiness." Soldiers, sailors, airmen and Marines are well-trained, well-equipped and well-capable of winning battles anywhere in the world.

But Perry left little doubt that he is troubled about what he described as "medium-term readiness" or the continuing quality of the armed forces as the 1990s draw to a close.

And there, he said, pay and benefits issues will be a major factor. If service members do not believe they are treated fairly, they will leave the military in droves. Those who stay will be dispirited, and the quality of recruits will decline.

To keep that from happening, Perry outlined six broad areas on which he plans to concentrate: pay, commissary privileges, housing, health care, compensation for

overseas duties and taxes on moving allowances.

■ Closing the pay gap

Perry indicated that he will be fighting for bigger pay raises for the military, but warned that there is only so much he can do. He is only one of 14 department heads offering advice to President Clinton on the size of annual raises.

This year, for example, the Clinton administration recommended a 1.6 percent pay raise for all federal workers. Congress has voted to boost that figure to 2.6 percent, however, over administration objections.

Perry has never publicly broken with the president on the pay issue, but he has acknowledged the existence of a gap between military and private-sector salaries. The Pentagon estimates that military people earn about 12 percent less than their private-sector peers.

Pentagon personnel sources expect Perry to either pursue a bigger pay raise in the fiscal 1996 budget or make changes in the compensation system to get more money into service members' pockets. Those changes could include paying a cost-of-living allowance in the continental United States.

"I don't discuss in the press or in public what my advice to the president is, but I will tell you I care about the [pay] issue," Perry said.

"I influence the issue, but I do not control the issue. So I cannot guarantee for you what the outcome" will be.

■ Changing food allowances

Under existing Pentagon regulations, service members lose their food allowance — the basic allowance for subsistence — when they are sent on overseas deployments. That's because they eat at a government mess. The allowance pays about \$139 a month for officers and as much as \$300 a month for enlisted members.

But Perry said many military families count on the allowance to help make ends meet. And when a service member deploys, "his family is at home and still has the problem."

Pentagon compensation officials have recommended that commanders continue paying the allowance during deployments. But the recommendation is not binding, and Perry said he is pursuing a permanent fix for the problem.

■ Taxes on moving allowances

Perry personally led the effort to get military moving allowances exempted from changes in tax laws that could have cost the average service member hundreds of dollars.

Earlier this year, Pentagon and Internal Revenue service attorneys concluded that military moving allowance were taxable under a law passed in 1993. After intense lobbying from Perry, the IRS reversed itself, saving service members anywhere from a few hundred up to \$4,000 in taxes on those allowances.

■ Commissaries: A pledge

Perry acknowledged that several proposals are under study that could erode the value of the commissary system. One of the most controversial proposals would increase the surcharge on commissary purchases from its current level of 5 percent to as high as 15 percent.

But Perry flatly rejected bigger surcharges.

"I have no doubt we can find some efficiencies in the system," he said. "But any proposal which lowers the quality, the benefits and the services being delivered, I will turn down."

Perry did not rule out the possibility that some commissaries would have to be shut down, however, and that others may have to reduce their hours.

"You and I might come to different judgments about how to draw the line between efficiency and quality of service," he said. But proposals that would increase prices or cut services "are destined to be rejected."

■ Improving housing

Military housing is inadequate at best and getting worse, Perry said.

"I think we have a very bad situation that has developed over the last decade or

so," he said. "And it's widespread."

Junior enlisted members and junior officers bear the brunt of the housing problem and are often forced to live off base, far from their workplace and the commissaries and exchanges based there. "In some areas, that works out OK," Perry said. "In most areas, it does not."

Worse, housing allowances paid to service members are inadequate to rent decent housing. "They have to choose between living in a shum," and dwelling in a decent place, but without enough money to buy a decent quality of life, he said. The "housing allowance is not sufficient to get a decent house."

Perry said the Pentagon will consider the feasibility of signing contracts with private companies to build and rent or sell housing to service members.

■ Providing health care

Perry said he has committed himself to maintaining high-quality health care for service members, dependents and retirees.

In the proposed 1996 budget, for example, military health care would receive about \$200 million more than in 1994 — despite force reductions and overall budget cuts.

Perry also was instrumental in getting the military included in President Clinton's health-care reform proposals, according to defense health officials.

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2 wars now are too many

But Perry says U.S. won't face that scenario for years

By William Matthews
Times staff writer

WASHINGTON — When the military has been reduced to the force planned by the Bottom-Up Review, it will not be able to fight two wars at once for at least several years, according to Defense Secretary William Perry.

But that won't be a problem, Perry told *Navy Times*, because right now — and for the next several years —

Arming many more U.S. fighters and bombers with precision-guided munitions is "the biggest single item" needed to modernize the force, he said.

"Our plans for quickly stopping an attack before it gets so far that it's very hard to turn around — and very costly to turn around — involves getting air power there quickly," he said. "But getting air power there quickly also assumes that we have the right kind of armament," meaning guided munitions.

But fitting more planes with smart munitions is "going to take a few years," Perry said. "To have those force enhancements then capable of fighting two full-scale major regional contingencies is a couple of years ahead of us."

While North Korea could now mount a major regional war, neither Iran nor Iraq — the other potential adversaries identified in the Bottom-Up Review — have "the capability to mount the kind of force that Iraq mounted in Desert Storm, and won't for a couple of years."

"It's important to look at the time sequence in evaluating the adequacy of the Bottom-Up Review," he said.

With modernization the key to the U.S. military's ability to fight two wars at once, Perry added, the drawdown has actually provided a perverse sort of benefit. Cutting the force has allowed planners to eliminate older and less capable weapons, like the M60 tank in the Marine Corps, and replace them with more modern weapons, like the M1A1 tank, now made available by large cutbacks in the Army. Similarly, the Navy has been able to eliminate its older and less capable ships.

The surviving force has benefited from the drawdown

there will not be two potential enemies capable of mounting a major regional war.

"So fortunately, we have some breathing room," he said.

"The Bottom-Up Review stated fairly clearly ... that the ability to meet the two-war contingency hinged on some force enhancements being made," he said.

To be able to fight two wars "nearly simultaneously," as the Bottom-Up Review specifies, the military will need to make some major investments in advanced weapons, particularly weapons that enhance air power, Perry said.

by inheriting the best equipment, Perry said. The military is in "the unusual situation of having more equipment than we needed for our forces for a while. We got a modernization effect just by the drawdown that was going on."

This too will pass

But Perry cautioned that this modernizing effect "is going to pass in a few years." It's essential that the military soon resume buying new and better equipment. "We cannot keep the modernization program at the level we have now," he explained. "It's not a sustaining level."

Indeed, equipment expenditures will increase sharply in planned budgets proposed for 1996, 1999 and beyond.

Perry is counting on savings from base closing and procurement reform to make increased modernization spending possible.

So far, however, base closing has been a disappointment. "Base closing saves us nothing at all in the short term. Indeed, base closing is actually a hill to pay," Perry acknowledged.

The cost of moving troops, cleaning up environmental pollution on base and disposing of surplus property consumes any money not spent to operate the bases.

However, by 1997, Perry said, base closings should begin to yield some savings, which will be plowed into weapons modernization. Reforms in the way the Defense Department buys goods — buying more off-the-shelf items, for example — are also expected to cut costs. And money saved through better buying practices is to be funneled into the "modernization account."

"The payoff is a couple of years downstream," Perry said. "It really is a benefit to the next term, the next administration, which I think will be the second Clinton administration."

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The secretary says private builders may help housing

By Neff Hudson
Times staff writer

WASHINGTON — To combat a

worldwide housing crunch, the Pentagon might turn to private contractors to build and lease housing near bases, Defense Secretary William Perry said.

In an interview with Navy Times, Perry said finding affordable housing is a major problem for service members and their families.

Because of a shortage of housing on base, many military families are forced to live off base. Depending on where the families are stationed, off-

base housing can be scarce or expensive — or both.

"I think that's a very bad situation, and it's widespread," Perry said. "I've talked with a lot of people who are suffering."

According to Pentagon estimates, solving the housing shortage would take tens of billions of dollars. The \$3.4 billion requested for family housing in the 1995 defense bill would barely scratch the surface.

By turning to private contractors,

however, the Pentagon might be able to reduce that price and get housing built more quickly.

Rep. Solomon P. Ortiz, D-Texas, a member of the House Armed Services Committee, inserted a provision in the 1995 defense authorization bill that would allow the Navy to contract with private developers.

Under the Ortiz plan, the Navy would act as a limited investor in specially selected development projects, receiving a percentage of any proceeds. Navy personnel would get priority to live in the developments, which would be open to the public.

Houses could be sold or rented to service members; while the apartments would be leased. The sales or rental prices would have to be affordable to service members, according to the bill's language.

Ortiz' plan would be a pilot program for the Navy but could be expanded to other services if it proved successful, according to congressional staffers.

The Pentagon has tried similar programs in the past but abandoned them because of a variety of problems.

For example, some developers were wary of entering into contracts with the military because they often proved unprofitable. Other developers failed to maintain the housing adequately — leaving some military families stuck in slum-like conditions.

Perry stressed that he has not made any final decision on whether to restart the program.

"What I have under way right now is an investigation of what it takes to get back to that program," he said. "If we can invoke that program, we can make near-term, large-scale improvements."